Alliances–Key to Success in Multimedia Business Integration

Research amongst leading European vendors of Business Integration (BI) services into their views of multimedia, and plans to offer related services suggests, that vendors:

- Are sceptical of the extent to which they can leverage service based opportunities from these new technologies

- Are taking a circumspect view of the need to form, or participate in, multimedia related joint-ventures or alliances

- Are at an early stage of developing service portfolios related to multimedia .

However developments over the next two years, shaping the supply side of the marketplace in the *second wave* of multimedia, will be the key to large-scale market adoption. INPUT advises vendors of BI services to:

- Explore alliance opportunities with non-IS based market entrants in *converging* marketplaces

- Be aware of the danger of remaining complacent in formulating strategy and

tactics for this *second wave* of multimedia development.

Beyond the Backlash

Late 1994 marks the end of the "first wave" of multimedia development. The deluge of media interest in multimedia over the last 18 months has now been replaced by a negative reaction against it. This understandable and not unexpected development is as a result of the reality of multimedia having been found wanting.

Research and development costs, it has become clear, are prohibitively high. Revenues generated by multimedia are still extremely small and the timeline for significant marketplace adoption of technologies other than CD-Roms is the medium to long term.

However, developments in multimedia, both from a technological point of view, and in terms of technology utilisation will not cease, with the media's spotlight moving elsewhere.

Exhibit 1

Multimedia Alliances Map
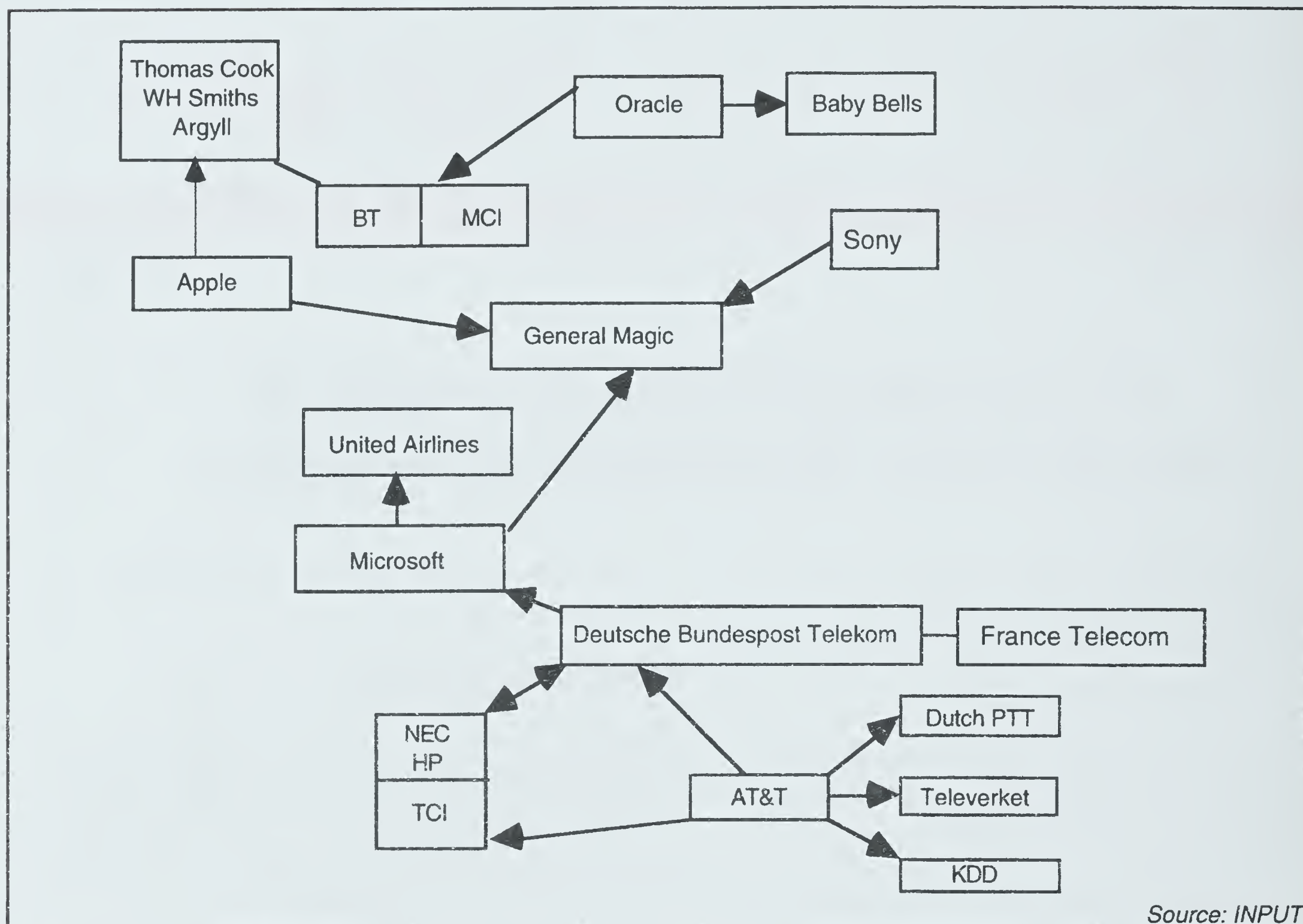
Source: INPUT

Three Key Alliances

Exhibit 1 provides a mapping of some of the major alliances and relationships forming in response to multimedia development.

The alliance map is complex and shows no signs of becoming less so. The high level of merger and acquisition activity, and perhaps more importantly, of partnering activity, is being driven by the complexities of many of the issues involved in developing and bringing multimedia technologies to market .

Exhibit 2 presents a summary of Exhibit 1, drawing out three key alliances which are emerging within the market's supply side, and highlighting the leading players within these powerful alliances.

Exhibit 2

Three Major Multimedia Groupings

Microsoft	NEC
	Hewlett Packard
	Deutsche Bundepost Telekom
	General Magic
British Telecom	MCI
	Oracle
	Apple
Oracle	British Telecom
	Baby Bells

Source: INPUT

Microsoft

Microsoft is attempting to leverage its strength on the desktop into the "new" desktop and home-based multimedia market. Microsoft are joint-venturing with Deutsche Bundepost Telekom, Hewlett Packard, and NEC on the development of video server software presently named "Tiger"–a Windows based system for the operation of television-based decoder boxes. This systems will allow ordinary televisions to be used for interactive games and interactive home shopping.

Microsoft are also developing "Mmosa", multimedia Operating System Architecture, in conjunction with a small US-based equipment manufacturer, Integrated Systems, for tests of interactive television being run by the large US network operator TCI on the West Coast of America.

Involvement with TCI has brought Microsoft into development contact with General Magic, the Apple/Sony/Phillips owned developement company, and with AT&T.

General Magic are developing "electronic agents" or "digital assistant" programs which will extract information from networked electronic databases according to a users interest sets, and refine that interest set through a "learning interaction" with the user.

AT&T, in conjunction with TCI, are establishing PersonaLink, a system within their managed network which allows for the utilisation of these networks.

Microsoft are also developing this technology to be utilised on Marvel, their soon to be launched on-line information database.

British Telecommunications

British Telecom are at present arguably the most active telecommunications player in the worldwide multimedia market. Unarguably they are the most active in Europe.

This interest in multimedia-related development is being driven by a realisation that multimedia offers the company the opportunity to fulfil its ambitions of becoming a leading worldwide information services provider, firmly establishing itself outside of its historical national market and historical role of purely being a telephone carrier.

In head-to-head confrontation with the leading American Telcos, BT must be able to compete aggressively in the next wave of de-regulated market maturity which multimedia represents.

BT's much heralded postponement until mid-1995, at the earliest, of large scale interactive TV trials, is a serious blow. However, placed in the context of postponed trials by, amongst others, Time Warner in the US, BT's set back looks perhaps less concerning.

BT are closely allied in the 1995 trials to one of AT&T's major rivals, MCI, and will be utilising both hardware and software, jointly developed with Apple, Oracle, nCube and Alcatel-Alstom.

Oracle

Oracle are the driving force behind the Desktop Alliance which has as partners not only BT but many of the leading US-based Baby Bells who are aggressively playing in US markets and increasingly in Europe.

In a manner similar to Microsoft, Oracle are attempting to extend their dominance of the systems database market into, what they consider is the complimentary offering of video servers and management systems for the large databases needed for applications such as video-on-demand.

"Killer" Applications will be Delivered by New Market Entrants

One of the most important developments in the *second wave* of multimedia development is

the increasing role and importance of vendors from content and distribution backgrounds on the supply-side of the marketplace. Exhibit 3 demonstrates the diversity in background of these new players.

Exhibit 3

New Multimedia Market Entrants

Sector	Company
Publishing	Reed Elsevier
	Daily Telegraph Group
	Bertlesmann
	Associated Newspapers
Broadcasting	British Broadcasting Corporation
	Canal +
	News International
Retail	Thomas Cook
	WH Smith
	Argyll
Airlines	Virgin
	United Airlines
	British Airways

Source: INPUT

INPUT believes that these new market entrants will be the significant force in driving the growth of the marketplace in the medium term. It is amongst the content, in the shape of television programmes, interactive activities and home shopping, being distributed through multimedia channels that the still unidentified "killer applications" will emerge, and subsequently drive mass- market adoption.

Reed Elsevier, with their recent takeover of the US-based publisher, Mead Corporation, are now one of the leading international publishers. They have recently expressed the aim of generating 50% of revenues through electronic publishing. The strength of their content and the power of their brands, i.e. their magazines and books, provide them with extremely powerful collateral. The Readers Digest publishing group are using their collateral to develop electronic versions of their magazine with Microsoft.

The same logic applies to the British Broadcasting Corporation, now offering their own bulletin boards and access channels to the Internet. Many of the major news publishers such as News International and the Daily Telegraph group are offering on-line versions of their daily papers. These developments offer "added-value" service opportunities to be provided from this base service offering.

In the retail sector major players such as WH Smith, Argyll, and Thomas Cook are participating with British Telecom to explore avenues of offering on-line shopping, ordering and delivery of goods.

In the airline industry, Virgin, United Airlines, and British Airways, are all exploring on-board on-line services and other multimedia services.

BI vendors who have been cautious in their approach to joint-venturing and partnering in the early stages of multimedia should carefully study opportunities to become more aggressively involved with these business, and process-orientated, non-technology led players. Service opportunities will exist around the delivery of these new forms of content.